

1.0 INTRODUCTION

1.1 PROJECT OBJECTIVES, PURPOSE AND NEED

Venoco, Inc. (Venoco), a privately held independent oil and gas company and the operator of State Lease PRC 421 (PRC 421), is seeking approval from the California State Lands Commission (CSLC) to return PRC 421 to oil production from existing shoreline wells that have been shut-in since 1994. The State Lease 421 Recommissioning Plan, submitted to CSLC in May 2004 by Venoco, details the proposed recommissioning of PRC 421, including upgrades to Venoco's existing facilities and construction of limited supporting infrastructure.

The California Environmental Quality Act (CEQA) Guidelines section 15126.6(a) requires that a range of reasonable alternatives to the proposed Project (that feasibly attain most of the basic objectives of the Project) must be described and analyzed. Therefore, in order to explain the need for the proposed Project, and to guide in development and evaluation of alternatives, Venoco was asked to define its Project objectives. Venoco identified the following objective for the PRC 421 Project:

- to return oil and gas lease PRC 421 to full oil production.

1.2 PURPOSE AND SCOPE OF THE ENVIRONMENTAL IMPACT REPORT

The CSLC has prepared this Draft Environmental Impact Report (EIR) in accordance with the CEQA to assess the potential for environmental impacts associated with recommissioning PRC 421. Per the requirements of the CEQA, this EIR addresses the environmental impacts, mitigations, and potential alternatives associated with resuming oil production at PRC 421. The purpose of this Draft EIR is to provide information to the public and agencies with permit authority over the Project regarding the Project's potential environmental impacts, recommended mitigation measures, cumulative impacts of proposed developments in the Project vicinity, and Project alternatives that may substantially lessen or eliminate environmental impacts.

The State CEQA Guidelines require that an EIR contain a statement within the Project description briefly describing the intended uses of the EIR and indicate that the EIR should identify the ways in which the Lead Agency and any responsible agencies would use the document in their approval or permitting processes. The following discussion summarizes the roles of the agencies and the intended uses of the EIR.

The CSLC is the Lead Agency responsible for preparing this Draft EIR. A Joint Review Panel, consisting of the city of Goleta and Santa Barbara County and chaired by the CSLC, was established to oversee the EIR process. The Draft EIR will be used by the CSLC to consider the environmental impacts associated with the proposed Project and alternatives and assist the CSLC in making its decision whether or not to grant approval of the recommissioning of PRC 421.

The proposed Project will also be reviewed by a number of State, Federal, and local agencies as noted in Section 1.4, Permits, Approvals, and Regulatory Requirements. These agencies will use the EIR in their decision-making process and to support consideration of issuance of Project-related permits and approvals.

1.2.1 Organization of the EIR

- Section 2.0 – Description of Proposed Project describes the proposed Project, its location, layout and facilities, and presents an overview of its operation;
- Section 3.0 – Alternatives and Cumulative Projects describes alternatives to the proposed Project carried forward for analysis, the alternatives that were considered but eliminated from detailed evaluation, and identifies the projects that were analyzed for their cumulative effects;
- Section 4.0 – Existing Environment and Impact Analysis describes existing environmental conditions, Project-specific impacts and mitigation measures, and the impact analysis of the alternatives carried forward for detailed analysis. Section 4.0 also evaluates the cumulative impacts of the proposed Project;
- Section 5.0 – Other Required CEQA Sections address other required CEQA elements including significant and irreversible environmental and growth-inducing impacts;
- Section 6.0 – Mitigation Monitoring, Compliance, and Reporting Program presents the Mitigation Monitoring and Reporting Program (MMRP);
- Section 7.0 – Report Preparation Sources presents information on the qualifications of those who prepared the Draft EIR;
- Section 8.0 – References lists reference materials used to prepare the report;
- Section 9.0 – List of Acronyms and Abbreviations used in the report;
- Appendix A – Contains the distribution list, including the mailing list of agencies and organizations that will receive a copy of the Draft EIR; and

- Appendix B – includes a copy of the Notice of Preparation (NOP) for the proposed Project, copies of all comment letters received in response to the NOP during the public comment period, and an indication where each individual comment is addressed in the Draft EIR.

1.2.2 Study Area Boundary

The study area for this Draft EIR has been established in two tiers of scope. The detailed study area, as presented in Figure 1-1, covers the immediate on-shore and near-shore areas of the Ellwood coast that would be subject to direct impacts (e.g., construction on Piers 421-1 and 421-2, trenching along the access road, tie-in to existing facilities) and the area most susceptible to an oil spill from Project operation and oil loading, which is the Ellwood Coast zone within and surrounding Lease 421 and Line 96. The secondary study area is associated with the potential transportation options for oil produced from the proposed Project, which include tankering by barge, shipping by pipeline, or transport by truck. Those areas include: for barge transportation, areas of the outer California coast which Venoco transports oil to refineries in the Los Angeles/Long Beach Harbors or the San Francisco Bay Area; for transportation by pipeline, a proposed pipeline corridor stretching north of the detailed study area to Las Flores Canyon; and for trucking, the transportation route extending east of Carpinteria to the Rincon Onshore Separation Facility (ROSF). These areas are described in more detail in Section 2.0, Project Description and Section 3.0, Alternatives.

1.2.3 Definition of Baseline and Future Conditions

Venoco proposes to recommission and operate PRC 421 for an estimated production period of approximately 12 years. Potential impacts of recommissioning wells at PRC 421 are analyzed in the context of the environmental conditions existing at the time the NOP was released for the proposed Project on June 3, 2005.

Other than depressurization activities in 2001 to relieve well-head pressure, production at PRC 421 has been idle since 1994; however, substantial existing infrastructure remains within the lease boundaries and adjacent onshore areas. Existing infrastructure consists of two historic wells, Well 421-1 and Well 421-2, installed on separate concrete caissons and their supporting surf-zone piers located below the bluffs south of Sandpiper Golf Course; a 1,300-foot historic access road and seawall along the toe of the bluff; and a 6-inch buried pipeline within the access road linking these facilities to supporting area oil transportation infrastructure. As described in Section 2.2, existing Project infrastructure has been subject to two major series of repairs and



improvements in 2001 and 2004, for which Venoco obtained agency reviews and approvals. The proposed Project would integrate with and utilize some of the existing Ellwood area oil facilities, primarily for the shipment of produced oil and monitoring of the proposed Project. These facilities, which are described in detail in Section 2.1.3, include the Ellwood Onshore Facility (EOF), Line 96, the Ellwood Marine Terminal (EMT), and the barge Jovalan.

In summary, existing baseline conditions for the Project would include: existing Project infrastructure, no current production from PRC 421, and existing levels of oil production and throughput for the EMT and related facilities as described in Section 2.4.3. Future conditions would include proposed Project improvements such as the modifications and upgrades at Pier 421-2 to permit recommissioning of oil production, installation of the proposed pipeline and power cables along the access road, and supporting control devices at the EOF described further in Section 2.4.4. Based on current projections, the estimated productive life of PRC 421 would be approximately 12 years; oil production is expected to average approximately 700 barrels of oil per day (BOPD) in the first year, and taper off to approximately 100 BOPD by the currently projected final year of the Project (2020).

As discussed in detail in Section 2.4.2, the future transportation of oil from the proposed Project is uncertain. Initially, oil transportation would be by barge Jovalan for shipment to Venoco's markets in the Los Angeles/Long Beach harbors or the San Francisco Bay Area. However, this method of transportation is not expected to be available for the life of the Project as two leases for the EMT, which is the infrastructure that transports the oil to the barge Jovalan, are expected to expire before end of PRC 421's production life. One lease, which is under consideration for renewal by CSLC and if approved, is expected to expire in 2013; the other lease, held by the University of California, Santa Barbara (UCSB) is scheduled to expire in 2016. Once the EMT lease expires, the Project's oil transportation is uncertain. A pipeline is proposed for construction by Venoco, as part of the Ellwood Oil Development and Pipeline Project (Full Field Development). If the Full Field Development project is approved and the pipeline is constructed, the proposed Project would utilize the pipeline for the transportation of oil. However, if the pipeline is not constructed, oil may be shipped to the ROSF, located east of Carpinteria, using truck transportation.

The primary information sources for Venoco's existing operations include the NOP for PRC 421 (Venoco 2005), additional data provided by Venoco, and site visit inspections and assessments by the CSLC and other agencies. Local planning documents

1 prepared by UCSB, Santa Barbara County, and the city of Goleta were also reviewed.
2 Online information and Geographic Information System (GIS) resources were used to
3 the extent feasible.

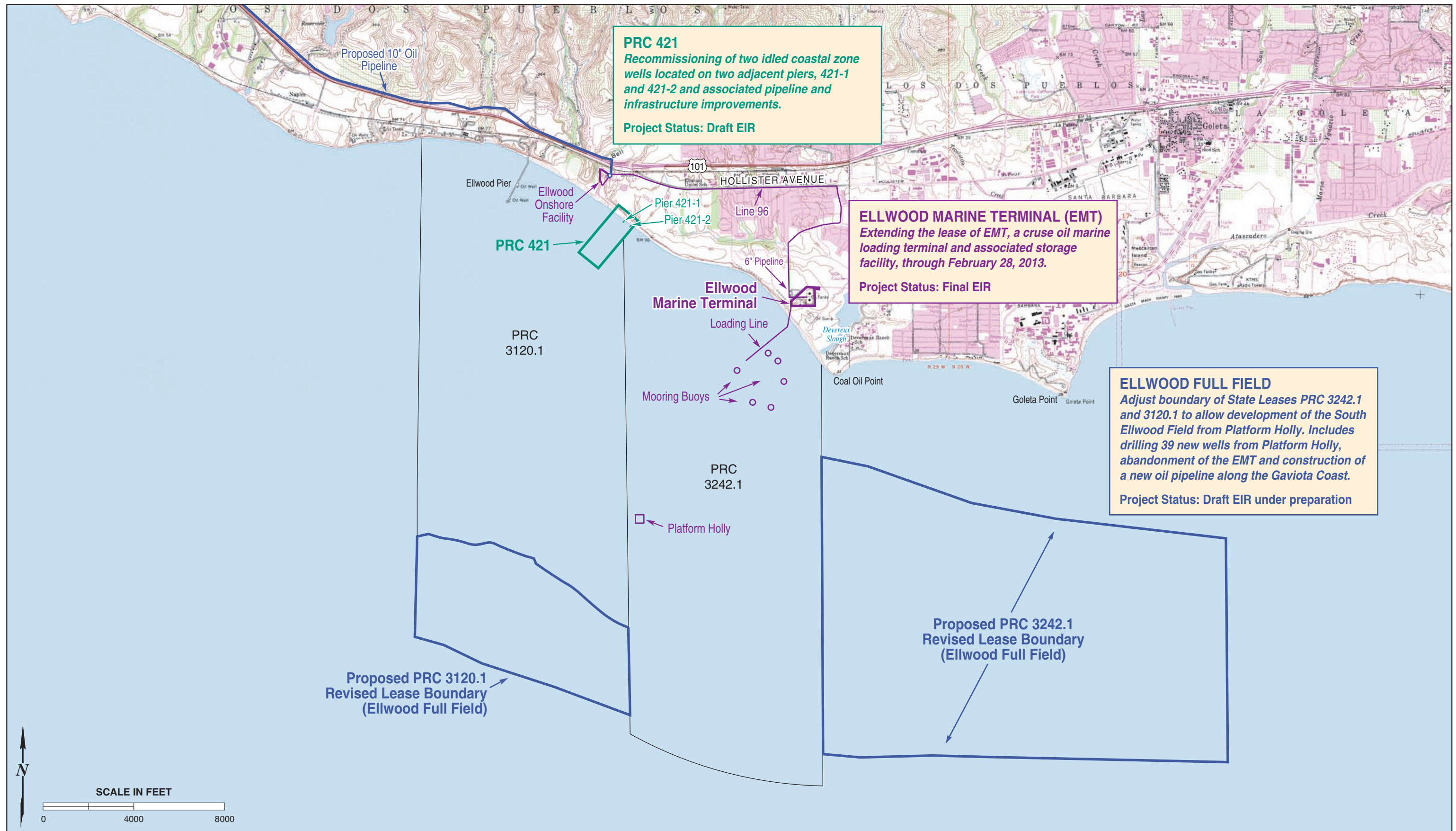
4 Baseline environmental conditions for the outer coast are incorporated by reference
5 from numerous previous documents with a short summary, as pertinent for the
6 applicable environmental discipline sections. Previous documents include
7 environmental analyses prepared for the Channel Islands National Marine Sanctuary;
8 biological surveys conducted by the California Department of Fish and Game (CDFG),
9 U.S. Fish and Wildlife Service (USFWS), the National Oceanic and Atmospheric
10 Administration and the U.S. Geological Survey (USGS); environmental studies prepared
11 by Santa Barbara County, Venoco, and the U.S. Minerals Management Service; and
12 numerous peer-reviewed journal articles.

13 **1.2.4 Related Ellwood Area Oil Projects**

14 Figure 1-2 presents two additional Ellwood area projects proposed by Venoco that, if
15 approved, would affect the future conditions of the Project area. These projects would
16 utilize or affect portions of the same key area oil infrastructure that would be utilized by
17 PRC 421 for transmission and shipment of oil and disposal of produced water. These
18 projects could also substantially affect the environment of PRC 421's detailed study
19 area. These two projects and their relationship to baseline conditions in the vicinity of
20 the proposed Project are summarized below.

21 **Venoco Ellwood Marine Terminal Lease Renewal Project (EMT Lease Renewal)**

22 In July 2006, CSLC released the Draft EIR for the EMT Lease Renewal Project, which
23 would allow Venoco to continue operating existing offshore improvements associated
24 with the EMT through February 28, 2013. The CSLC lease extension, if authorized,
25 would expire on that date, and Venoco would need to cease operations or apply for a
26 new State lease. Venoco's lease with UCSB, the owner of the onshore land where the
27 EMT is located, is also set to expire, but not until January 2016. According to the lease
28 agreement with UCSB (Appendix E), the onshore portion of the EMT must be
29 decommissioned within 180 days of either of the following termination dates: the date
30 on which a suitable pipeline is operational to replace the EMT or January 1, 2016. As
31 provided below, Venoco is currently proposing to construct a new onshore pipeline
32 and – as part of the Full Field Development project – would decommission and abandon
33 the EMT as stipulated in the lease.



Given the long history of crude oil delivery through the site, the potential exists for soil and groundwater contamination to exist under the EMT itself and possibly within adjacent environmentally sensitive areas. Although the degree and extent of contamination is not clearly defined, the potential exists for complete clean-up operations, following removal of all equipment, tanks, and debris, to extend beyond 180 days as the lease requires. If clean-up of potential contamination at the site for either termination date extends beyond 180 days, Venoco would need to negotiate with UCSB to amend the lease and to account for any time beyond 180 days required for complete site clean-up.

Ellwood Oil Development and Pipeline Project (Full Field Development)

The proposed Full Field Development project would entail extending the oil and gas lease boundaries of PRC 3120.1 and 3242.1 in State waters off the coast of the city of Goleta, providing for safety improvements and upgrades at the existing EOF, and eliminating all operations at the EMT by installing a new onshore pipeline system. On June 28, 2006, the CSLC released the NOP documents for the Full Field Development EIR and a draft EIR is under preparation.

The primary components of the Full Field Development project include:

- drilling up to 40 new wells from Platform Holly;
- an oil production peak of 12,600 BOPD and gas production peak of 20 million standard cubic feet per day (MMSCFD) after five years;
- construction of a new 8.5-mile onshore pipeline from the EOF to the Plains All American Pipeline (AAPL) system at Las Flores Canyon;
- decommissioning and abandonment of the EMT and offshore loading facilities; and
- safety and environmental upgrades at the EOF and a new power generation plant.

Should this project be approved, the EMT and Line 96 connecting the EOF to the EMT would be decommissioned and abandoned. The pipeline from PRC 421 would remain connected into the portion of Line 96 adjacent to the EOF that would be integrated into the new pipeline system from the EOF to the Plains AAPL at Las Flores Canyon, permitting oil produced at PRC 421 to be transported to market via the new pipeline system rather than through the EMT.

1.3 PUBLIC REVIEW AND COMMENT

1.3.1 Scoping

The CSLC, as Lead Agency and in accordance with the provisions of the CEQA, determined that the proposed Project may result in potentially significant adverse environmental impacts, and therefore required preparation of this Draft EIR pursuant to and in accordance with the CEQA (Public Resources Code, Section 21000 et seq.), State CEQA Guidelines (California Administrative Code, Section 15000 et seq.), and CSLC's guidelines implementing the CEQA.

On June 3, 2005, pursuant to State CEQA Guidelines (sections 21080.4 and 15082[a]), the CSLC provided a NOP for the proposed Project to responsible and trustee agencies and other interested parties. The NOP solicited both written and verbal comments on the EIR's scope during a 30-day comment period and provided information on a forthcoming public scoping meeting. The CSLC held a public and agency scoping meeting in Goleta, California on June 23, 2005, to solicit verbal comments on the scope of the EIR. Written comments were received in response to the NOP from the following:

- California Coastal Commission (CCC);
- Citizens for Goleta Valley;
- City of Goleta;
- Santa Barbara County, Planning and Development, Energy Division;
- David K. Sangster;
- Santa Barbara County Air Pollution Control District (APCD);
- CDFG;
- League of Women Voters of Santa Barbara, Inc.; and
- Kathleen Gebhardt.

A copy of the NOP, mailing list, meeting transcript, and letters received, as well as an index of where such comments are addressed in the document, are included in Appendices A and B.

1.3.2 Public Comment on the Draft EIR

This Draft EIR is being circulated to local, State, and Federal agencies and to interested individuals who may wish to review and comment on the report. Written comments may be submitted to the CSLC during the 60-day public review period. Verbal and written comments on this Draft EIR will be accepted at a noticed public meeting (either noticed in this document or under separate cover). All comments received will be addressed in a Response-to-Comments addendum document, which, together with this Draft EIR, will constitute the Final EIR for the proposed Project

This Draft EIR identifies anticipated environmental impacts of the proposed Project on the existing environment, indicates how those impacts will be mitigated or avoided, and identifies and evaluates alternatives to the proposed Project. This document is intended to provide the CSLC with information required to exercise its jurisdictional responsibilities with respect to the proposed Project, which would be considered at a separately noticed public meeting of the CSLC.

The CEQA requires that a Lead Agency shall neither approve nor implement a project as proposed unless the significant environmental impacts have been reduced to an acceptable level, which is defined as eliminating, avoiding, or substantially lessening significant environmental effects to below a level of significance. If the Lead Agency approves the Project, even though significant impacts identified in the Final EIR cannot be fully mitigated, the Lead Agency must state in writing the reasons for its action. Findings and a Statement of Overriding Considerations (SOC) must be included in the record of Project approval and mentioned in the Notice of Determination (NOD).

1.4 PERMITS, APPROVALS AND REGULATORY REQUIREMENTS

In addition to action by the CSLC, the proposed Project will require the following permits and approvals from reviewing authorities and regulatory agencies¹:

- City of Goleta Development Plan Revision, to 06-038-FDP (Amendment to Santa Barbara County Ordinance 2919)²;
- Santa Barbara County, Modification to 95-FDP-024¹;

¹ Prior permits issued for emergency repair work on SL-421 Pier (Final Development Plan 05-132-DP; 04-EMP-001; E-01-013-G; 2004015765-JCM) cannot be modified since they do not allow oil production to resume.

² A revised Development Plan application is required from the city of Goleta for that portion of the project that involves onshore facilities outside of the Mean High Tide line, such as those portions of the pier, access road, pipelines, and Ellwood Onshore Facility. A revised Development Plan may also be required for Line 96 throughput increase, Case No. 06-037-DP.

- 1 • Coastal Development Permit, California Coastal Commission;
 - 2 • California Department of Conservation, Division of Oil, Gas, and Geothermal
 - 3 Resources, Notice of Intention to Rework Well;
 - 4 • U.S. Army Corps of Engineers (USACE), 404 Permit;
 - 5 • State of California Central Coast Regional Water Quality Control Board (RWQCB),
 - 6 §401 Water Quality Certification and National Pollutant Discharge Elimination
 - 7 System (NPDES) permit;
 - 8 • Modification to current production limit for SL-421, Santa Barbara County APCD;
 - 9 and
 - 10 • CDFG, Office of Spill Prevention and Response, Oil Spill Contingency Plan.
- 11 Venoco would also be required to update their South Ellwood Field Emergency Action
- 12 Plan and Oil Spill Contingency Plan.
- 13 The potential future oil transportation methods (pipeline or trucking) for the proposed
- 14 Project would require additional agency approvals. These are discussed in Section
- 15 3.3.6, Transportation Sub-Alternative Options.

¹ Santa Barbara County is the Responsible Agency for those portions of the project relating to the 6-inch pipeline extending from the end of the 10-inch Line 96, the associated Leak Detection Skid, and the Ellwood Marine Terminal.